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English

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ROUND-TABLE IV: Reform of the International Financial System

(Synthesis by Olivier CASSARD)

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The reform of the international financial system issue became imperative these last years but more especially after the Asian financial crisis. The economic literature gets along enough extensively on the report of the multiplication of the financial crises these last two decades, their deep impact on the economies of poor countries and the impotence of the international financial institutions to warn and to manage these crises in an optimal manner.

If this report is the convergence of a general recognition, it doesn't go in the same way for the solutions or propositions in order to remedy the imperfections and instabilities of the financial markets. To this subject, we can note that these are not the means nor the ideas that miss to intervene but rather a political consensus. Indeed, the essential of the dominant speech is about the internal reasons of these crises and propose solutions centered on the backing of the domestic financial systems of the countries conductors of funds. The objective is to improve the macroeconomic and financial policies of these countries through the setting up of successive processes of financial liberalization and backing of the controls and supervision of the domestic financial institutions. However, keeping silent on the external dimensions of the problematic, as the regulation of the international fluxes of funds for example, the incoherence of the situation makes emerging countries carry the burden and the responsibility of a possible improvement of the balance of the international financial system (Andrew Cornford).

The actual balance of power leans extensively in favor of the G-7. In this perspective, the international financial stability holds the construction of a myth and it doesn't correspond to a world common good. Indeed, the interests of the various actors (populations, governments, investors...) are necessarily divergent and the national interest prevails on the international interest. Besides, some emerging countries fear that a surplus of regulation and control of the capital movements could restrict their liquidity. These observations bring to understand more comfortably why the opposition to progress reigns in the world decisional high spheres. On the one hand, the emerging countries fear a strong reduction of the capital influx of which they need to develop themselves and on the other hand, the opposition to change is politically rational in the viewpoint of the big economic powers for numerous reasons of which most obvious seems to be the lightweight effect of the international financial crises on their national economy (Jacques Généreux).

However, as we had notice previously, some interesting propositions exist. We can define three domains of action: the prevention of the financial crises, the management of the crises and the reform of the international financial institutions, in particular of the IMF (Jacques Généreux).

To warn the crises better, it is necessary to establish:

- a certain number of prudential norms and rules of external and internal surveillances in the countries conductors of funds but also in the capital exporting countries,
- a repartitioning of the financial activities. This one could be useful in countries where the processes of financial liberalization was implanted in a fast and precipitate way.

To manage the crises better, it is necessary:

- to reverse the usual tendency that wants to socialize the losses of the financial crises (plane of adjustment essentially supported by the populations) and that wants to privatize the earnings (support of the public authorities to the financial institutions deprived in difficulty),
- to make intervene the private sector (syndicate of banks) to maintain the credit lines, to guarantee the liquidity.

As for the reform of the international financial institutions:

- a redefinition of the role of the IMF is urgent. His present mandate doesn't allow him to answer the contemporary problems of the international financial system efficiently. The imposed remedies (conditionality) seem to go sometimes in opposition to the common sense and makes worse some situations already catastrophic (Asian crisis),
- is also necessary a better representation of the countries, notably in the controlling organs of these institutions,
- a true decentralization to make the policies more appropriated to the different national features of the countries (Jacques Generous).

However, the political logic doesn't plead in favor of such changes. Therefore, will it be necessary to wait for a serious financial crisis to see the first transformations?